



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 25th day of June, 2004

Essential air service at

**ALAMOGORDO/HOLLOMAN AIR FORCE BASE,
NEW MEXICO**

under 49 U.S.C. 41731 *et seq.*

Served: June 30, 2004

Docket OST-1996-1901

ORDER REQUESTING PROPOSALS ON AN EMERGENCY BASIS

Summary

By this order, the Department is requesting proposals from carriers interested in providing essential air service at Alamogordo/Holloman Air Force Base, New Mexico, for a future two-year period, with or without subsidy. (See Appendix A for a map of the service area.)

Background

By Order 2002-4-18, April 22, 2002, the Department selected Edelweiss Holdings, Inc., d/b/a Rio Grande Air, to provide subsidized essential air service at Alamogordo/Holloman Air Force Base to Albuquerque, with nine-passenger-seat Cessna Caravan aircraft at an annual subsidy rate of \$849,235. This service was to consist of a minimum of four nonstop round trips to Albuquerque on each of four weekdays, three nonstop round trips to Albuquerque on the remaining weekday, and five nonstop round trips to Albuquerque over the weekend period. Rio Grande Air inaugurated this service on May 27, 2002. By the terms of Order 2002-4-18, the selection period ended on May 31, 2004. Shortly afterward, on June 22, 2004, Rio Grande Air ceased its commuter air carrier operations. Consequently, the Department must take steps to assure that essential air service will continue to be provided at Alamogordo/Holloman Air Force Base (subject to the consideration discussed under "Service and Traffic History," below).

Request for Proposals

We will, by this order, solicit proposals on an emergency basis from air carriers interested in providing essential air service, with or without subsidy support, at Alamogordo/Holloman Air Force Base. As we discuss in detail below, we have recently streamlined our procedures in response to a more competitive essential air service environment.

Because of the emergency nature of this proceeding, we expect carriers interested in filing proposals, with or without subsidy requests, to do so within 15 days of the date of service of this order. At the end of that period, our staff will docket the proposals, thereby making them public,

and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Very shortly afterwards, we will provide a summary of the proposals to the communities and ask them to submit their final comments. Again, because of the emergency nature of this proceeding, we will request that these comments be submitted in less than the customary 30 days. We will give full consideration to all proposals that are timely filed.¹

New Procedures

In the past, we have accepted *initial* carrier proposals, reviewed them, and then negotiated *final* proposals with each applicant before formally presenting the proposals to the communities and asking for their final comments. We found that a two-step process was generally necessary because, in most cases, the incumbent carrier was the only one interested. As a result, we were unable to rely on competition to discipline carrier subsidy requests, and communities had to wait on a protracted selection process. More recently, however, we have noticed that most orders requesting essential air service proposals have drawn interest from at least two carriers, and sometimes more. Under the circumstances, we expect that competition among multiple carriers will ensure reasonable subsidy requests, obviate the need for rate negotiations, and allow us to streamline the carrier selection process.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals. We retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. For example, we anticipate that we will continue to negotiate rates in cases where there is only a single interested carrier, as is typically the situation in Alaska. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and resolicit a new round of proposals. However, we anticipate that negotiation or rejection will remain only occasional exceptions to the rule.

We are here providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed schedules as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected communities and the Department. We do not anticipate any change in our selection criteria, or in the general provisions governing subsidy payments for essential air service.²

With respect to the specific New Mexico market at issue here, we expect proposals consisting of service with two-pilot, twin-engine aircraft with at least 15 passenger seats, and offering two or three round trips each weekday and each weekend from Alamogordo/Holloman Air Force Base

¹ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

² In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (1) service reliability; (2) contractual and marketing arrangements with a larger carrier at the hub; (3) interline arrangements with a larger carrier at the hub; and (4) community views. In addition, we have always given weight to the applicants' relative subsidy requirements.

to Albuquerque. We encourage proposals that meet those requirements in an efficient manner. Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to those requirements if they envision other, potentially more attractive service possibilities—different hubs, for example—with subsidy requirements that remain competitive. As we did in the most recent carrier selection proceeding for Alamogordo, we will accept proposals from carriers that operate aircraft that do not meet the requirements set forth above, provided that the community continues to waive its entitlement to service with 15-seat or larger, two-pilot, twin-engine aircraft. As we indicated in Order 2002-4-18, page 2, “The City and the Air Force Base essentially waive the requirement for a twin engine, 15-passenger aircraft for the duration of this contract period.” Hence any carrier proposing to operate an aircraft type that does not meet the statutory requirements for a new contract period must secure new waivers as to aircraft type from both the City and the Air Force Base.

Service and Traffic History

Rio Grande Air served Alamogordo/Holloman Air Force Base from May 27, 2002, until June 22, 2004. During calendar year 2003, the most recent 12-month period for which traffic data are available, Alamogordo/Holloman Air Force Base averaged 4.2 enplanements a day. This figure represents a decline of 46 percent from the level registered during calendar year 2000, prior to the terrorist attacks of September 11.³

The Department is prohibited from subsidizing service at communities where subsidy amounts to more than \$200 per passenger, unless they are more than 210 miles from the nearest large or medium hub.⁴ We have determined that Alamogordo/Holloman Air Force Base is less than 210 miles from Albuquerque International Airport; hence, the subsidy-per-passenger criterion becomes critical. As we indicate in Appendix B, Alamogordo/Holloman Air Force Base generated 2,619 passengers in calendar year 2003. Based on those passengers, the Department would be precluded from selecting any proposal with a subsidy need greater than \$523,800 annually (2,619 passengers multiplied by \$200). When we evaluate the proposals, we will use the most recent passenger data available to us at that time. Should we fail to receive a selectable proposal, the Department must take immediate steps to terminate the eligibility of Alamogordo/Holloman Air Force Base to receive subsidized essential air service.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁵ Consequently, all carriers receiving

³ See Appendix B for historical traffic data. Enplanements represent one-half of total origin-and-destination traffic, and average enplanements per day are based on 313 weekdays and weekends a year, except as noted.

⁴ Congress first imposed that eligibility standard in fiscal year 1990 appropriations language and reinstated it each year from 1994 through fiscal 1999. Then, by P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, Congress made it a permanent eligibility standard.

⁵ The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 -- Nondiscrimination on the basis of disability in air

Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053.⁶

Community and State Comments

The City, Air Force Base, and State are welcome to submit comments on the proposals at any time. As noted earlier, however, we will provide a summary of the proposals to the civic parties and ask them to submit their final comments shortly after the end of the 15-day period for carrier proposals.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We request that carriers interested in providing essential air service at Alamogordo/Holloman Air Force Base, New Mexico, submit their proposals, with or without subsidy requests, no later than 15 days after the date of service of this order. The proposals should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street S.W., Washington, DC 20590, with the title "Proposal to Provide Essential Air Service at Alamogordo/Holloman Air Force Base, New Mexico, Docket OST-1996-1901;"⁷

2. Docket OST-1996-1901 will remain open until further order of the Department; and

travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

⁶ The certifications are also available on the web at <http://ostpxweb.dot.gov/aviation/index.html>.

⁷ Questions regarding filings in response to this order may be directed to Luther Dietrich at (202) 366-1046.

3. We will serve copies of this order on the mayor and airport manager of Alamogordo/Holloman Air Force Base, New Mexico; the Director, New Mexico Department of Transportation, Aviation Division; Rio Grande Air, and the persons listed in Appendix C.

By:

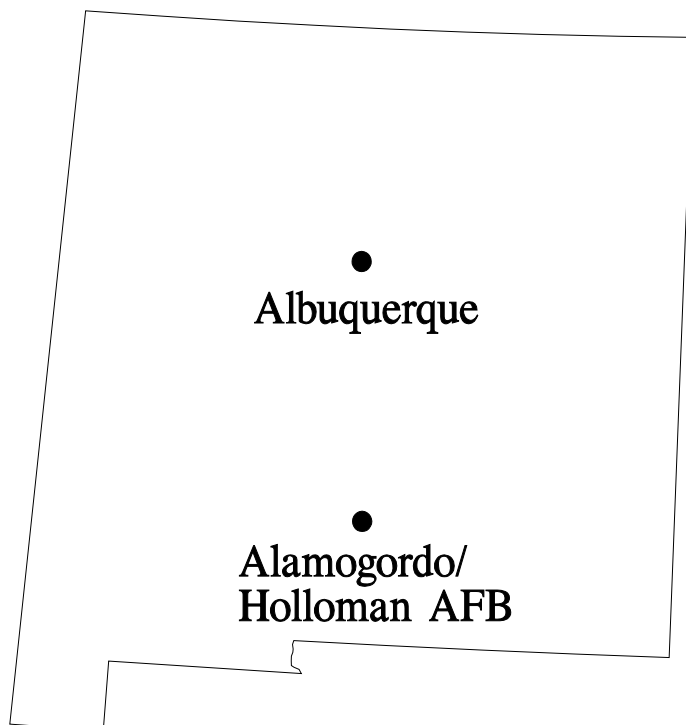
KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*

AREA MAP

New Mexico



Essential Air Service at Alamogordo/Holloman Air Force Base, New Mexico
Historical Origin-Destination Passenger Traffic (both directions)¹

Four quarters ended	<u>ALM-ABQ</u>	<u>ALM-ELP</u>	<u>ALM-LRU</u>	All other <u>ALM markets</u>	Total all ALM <u>markets</u>
12/31/1985	4,743	0	0	0	4,743
12/31/1986	7,776	1,234	0	0	9,010
12/31/1987	7,091	0	0	0	7,091
12/31/1988	5,864	0	31	2	5,897
12/31/1989	5,417	0	59	0	5,476
12/31/1990	4,469	0	100	11	4,580
12/31/1991	4,286	0	117	0	4,403
12/31/1992	5,349	0	154	0	5,503
12/31/1993	6,472	0	364	8	6,844
12/31/1994	7,338	0	680	12	8,030
12/31/1995	5,051	0	2,092	20	7,163
12/31/1996	5,655	0	527	4	6,186
12/31/1997	5,337	0	779	241	6,357
12/31/1998	4,007	0	2,872	474	7,353
12/31/1999	5,539	0	638	409	6,586
12/31/2000	4,284	0	308	286	4,878
12/31/2001	3,342	0	1	79	3,422
12/31/2002	2,437	0	0	7	2,444
12/31/2003	2,619	0	0	0	2,619

¹ Source: U.S. Department of Transportation, Bureau of Transportation Statistics (BTS), Form 298-C, Schedule T-1, and Form T-100 for traffic reported by Mesa Airlines and Rio Grande Air.

Essential Air Service at Alamogordo/Holloman Air Force Base, New Mexico
Average Daily Passenger Enplanements Computed from
Historical Origin-Destination Passenger Traffic

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ²	<u>Average annual enplanements</u> ³	<u>Average enplanements per service day</u> ⁴
12/31/1985	4,743	2,372	7.6
12/31/1986	9,010	4,505	14.4
12/31/1987	7,091	3,546	11.3
12/31/1988	5,897	2,948	9.4
12/31/1989	5,476	2,738	8.7
12/31/1990	4,580	2,290	7.3
12/31/1991	4,403	2,202	7.0
12/31/1992	5,503	2,752	8.8
12/31/1993	6,844	3,422	10.9
12/31/1994	8,030	4,015	12.8
12/31/1995	7,163	3,582	11.4
12/31/1996	6,186	3,093	9.9
12/31/1997	6,357	3,178	10.2
12/31/1998	7,353	3,676	11.7
12/31/1999	6,586	3,293	10.5
12/31/2000	4,878	2,439	7.8
12/31/2001	3,422	1,711	5.5
12/31/2002	2,444	1,222	3.9
12/31/2003	2,619	1,310	4.2

² See page (1) of this Appendix.

³ Origin-destination passengers divided by two.

⁴ Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1988, 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

Service List for the State of New Mexico

ACT International Airlines, Inc.	Great Lakes Aviation, Ltd.
Aero Freight, Inc.	Mesa Airlines, Inc.
Air Midwest, Inc.	Metro Express II, Inc.
Air Transport, Inc.	Midwest Express Airlines, Inc.
Alpine Air Express	Redtail Aviation
Amerijet International, Inc.	Rio Grande Air
Arizona Express Airlines	Rocky Mountain Helicopters, Inc.
Arizona Pacific Airlines, Inc.	SkyVantage Corporation
Barken International, Inc.	SkyWest Airlines, Inc.
Conquest Airlines Corporation	Texas National Airlines, Inc.
Corporate Airlines, Inc.	Westward Airways, Inc.
Delta Connection	Wings West Airlines, Inc.
Exec Express II, Inc.	
Ken Bannon	Colleen O'Day
Rick Bauer	Lee Mason
Nathaniel P. Breed	Andy Pike
Doug Franklin	Cory Robin
E.B. Freeman	William C. Seigler
Douglas Gumula	Andrew Spinks
Ben Harrison	Larry Tiffin
A. Edward Jenner	Tim Wooldridge
Keith Kahle	